

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:4221

ANSWERED ON:19.08.2010

FOREIGN DIRECT INVESTMENT

Alagiri Shri S. ;Vasava Shri Mansukhbhai D.

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Foreign Direct Investment up to 100 per cent is permissible for all the activities of petroleum and Natural Gas Sector;
- (b) if so, the details and the reasons therefor;
- (c) whether a major part of revenue of natural resources are going to foreign companies due to the FDI;and
- (d) if so, the reaction of the Government thereto and the remedial measures taken so far in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

(a) & (b) Foreign Direct Investment (FDI) up to hundred percent for all activities, other than refining and including market study and formulation, investment/financing, setting up infrastructure for marketing in Petroleum and Natural Gas Sector is permissible through automatic route, subject to sectoral regulations. For the refining sector, FDI up to 49% in case of Public Sector Undertakings is permissible through Foreign Investment Promotion Board. However, FDI up to hundred percent in the refining sector is permitted through the automatic route in case of private companies.

(c) & (d) The Government of India is encouraging participation of the private sector, including foreign companies, in exploration, production and transportation net work for petroleum and natural gas in order to supplement the efforts of the National Oil Companies to meet the rising demand of oil and gas. Exploration and production are capital intensive and high risk activities, requiring use of expensive state-of-the-art technologies and best management practices. Domestic and foreign companies have been given the same fiscal and contract terms and are operating in collaboration although foreign direct investment inflows contributed less than 2% of the total capital expenditure in the petroleum and natural gas sector during the last two years.